ORIGINAL

RECEIVED

MAY 11 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Open Network Architecture Tariffs	)	CC Docket No. 94-12
of US West Communications, Inc.	)	

DOCKET FILE COPY ORIGINAL

MCI OPPOSITION TO DIRECT CASE

MCI TELECOMMUNICATIONS CORPORATION

Donald Wood
J. Christopher Frentrup

Its Analysts

Gregory F. Intoccia
Frank W. Krogh
Larry A. Blosser
Donald J. Elardo
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 887-2411

Its Attorneys

No. of Copies rec'd 0+2
List A B C D E

Dated: May 11, 1995

TABLE OF CONTENTS

SUMMARY

By following procedures which hide from intervenor and public scrutiny the methodology it relied upon in "justifying" its rates, US West Communications, Inc (US West) has failed in its obligation to demonstrate that its proposed ONA rates are reasonable and lawful. If the Commission approves such rates under these conditions, it will have reached a decision based upon information not in the public record. By insisting upon an unduly restrictive nondisclosure agreement and making available only a heavily redacted version of the Switching Cost Model (SCM), US West has intentionally prevented meaningful intervenor participation. Unfortunately, MCI's inability to meaningfully participate in this investigation was predictable, given the procedures designed to limit intervenor participation that were in place.

The redaction of SCM by US West is highly complex and led to both observable and hidden processing errors. The removal of key operating features, the removal and "masking" of output reports, and other limitations placed on MCI's ability to run the model, prevented a meaningful review of the model and its sensitivity to subjective assumptions made by US West. None of the excessive steps in redaction protect any legitimate interest. The withholding of this information, plus an unduly restrictive nondisclosure agreement, prohibiting, among other things, access to all switch types within the SCM and the sharing of information with other intervenors who had executed the same agreement,

collectively reveal a concerted effort by US West to limit intervenor participation to the maximum extent possible.

By denying MCI access to unredacted cost support information bearing no reasonable connection to any legitimate interest and imposing on intervenors a highly restrictive nondisclosure agreement for access merely to redacted information, the Commission has violated its obligations under the Communications Act, the Administrative Procedure Act and Constitutional due process. If the Commission approves tariff rates under the procedures followed in this investigation, it sets a dangerous precedent of allowing LECs substantial flexibility to pick and choose among methodologies and assumptions as needed in order to ensure that their cost results are consistent with their marketing plans.

RECEIVED

MAY 1 1 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Open Network Architecture Tariffs of US West Communications, Inc.	CC Docket No. 94-128

MCI OPPOSITION TO DIRECT CASE

Pursuant to the Commission's Order Designating Issues for Investigation (Designation Order),[1] MCI Telecommunications Corporation (MCI) respectfully submits the following opposition to US West Communications Inc.'s (US West's) Direct Case, wherein it seeks to "justify" the rate levels in its Open Network Architecture (ONA) tariff transmittal.[2] In order to determine whether US West corrected deficiencies in its Switching Cost Model (SCM) used to justify its rates, the Commission is seeking to determine whether US West's ONA rates are based on unreasonable and unlawful ratemaking practices.[3] As shown below, US West has failed to meet its burden of showing that its basic service element (BSE) rates are reasonable and lawful.

---

[1] Open Network Architecture Tariffs of US West Communications, Inc., CC Dkt. No. 94-128.

[2] Transmittal No. 446.

[3] Designation Order at 6.

BACKGROUND

On November 1, 1991, the Bell Operating Companies (BOCs) filed their initial ONA tariffs in response to the Commission's Part 69/ONA Order.[4] As a number of parties demonstrated in petitions addressed to the Commission, the proposed rates and their underlying unit costs showed significant and unexplained variations among the filing carriers, indicating serious errors in the BOCs' rate development process. Moreover, the BOCs' tariff support failed to provide sufficient information on their ratemaking methodologies that would allow interested parties to determine the basis for the wide variances in the filed rates. In essence, effective review of the tariffs were largely precluded because of the BOCs' failure to provide intervenors with access to detailed information on the functioning of models used to develop switching unit costs for ONA rates.

All of the BOCs except US West used cost figures for ONA services based, in part, on investment figures generated by the Switching Cost Information System (SCIS), a computer model administered by Bell Communications Research (Bellcore) that quantifies the engineering processes of switching offices in

---

[4] Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, CC Dkt. No. 89-79, Report and Order, and Order on Further Reconsideration, and Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 4524 (1991) ("Part 69/ONA Order"), modified on recon. 7 FCC Rcd 5235 (1992), further modified on recon. 8 FCC Rcd 3114 (1993), appeal pending sub. nom. MCI v. FCC, No. 93-1464 (D.D.C. 1993), petition for review filed on July 23, 1993.

order to apportion switching capacity and cost among the features and functions the switch provides. US West used its own model, the SCM, to develop costs for ONA access rate elements.[5]

The Commission initially directed the BOCs to file their cost models publicly as part of the tariff support for their proposed ONA rates.[6] However, the BOCs and switch vendors objected to a public filing, arguing this would require the release of confidential proprietary data. Responding to these complaints, the Commission determined that such material should not be made available for public inspection.[7]

After conducting its own preliminary evaluation of the BOCs' costing models, the Commission concluded that "some BOCs have used rate calculation methodologies that may not produce just and reasonable BSE [basic services element] charges and, moreover, contribute to BSE charges that appear anomalously high in comparison to other BOCs." Accordingly, the Commission suspended the filed tariffs for one day, allowed them to take effect subject to an accounting order, and instituted an investigation

---

[5] Both the SCIS and SCM models are computer-based costing tools used to develop the cost support for the BSE rates filed in BOC tariffs.

[6] See Commission Requirements for Cost Support Material to be Filed with Open Network Architecture Access Tariffs, Order, DA 91-1168, released September 19, 1991.

[7] See Commission Requirements for Cost Support Materials to be Filed with Open Network Architecture Tariffs, 7 FCC Rcd 521 (1991).

of the BOCs' rates (ONA Tariff Investigation).[8]

With respect to all the BOCs except US West, that investigation has been completed.[9] Since US West was the sole BOC to develop the costs relying upon two separate and inconsistent software models, the SCIS and the SCM models, the Commission required US West to file replacement rates rectifying this and related problems. US West filed replacement ONA rates under Transmittal No. 446, relying exclusively on a revised SCM. The Commission suspended the transmittal for one day and initiated this investigation. As in the initial investigation, the focus here is on determining whether US West's ONA rates are based on reasonable and lawful ratemaking practices.[10]

As in the initial investigation, the Commission in this investigation has dealt with the handling of confidential materials. The Bureau stated that because of the need to protect proprietary material, it would adopt procedures similar to those followed in the ONA Tariff Investigation. Accordingly, it required US West to develop a redacted version of its SCM -- to be made available pursuant to a nondisclosure agreement -- that "will at minimum enable intervenors to examine the effects on SCM outputs of changes in SCM inputs to the same extent as was

---

[8] See Commission Requirements for Cost Support Materials To Be Filed with Open Network Architecture Access Tariffs, 9 FCC Rcd 180 (1991) (SCIS Review Order); Open Network Architecture Tariffs of Bell Operating Companies, CC Dkt. No. 92-91, 9 FCC Rcd 440 (1993).

[9] Designation Order at para. 6.

[10] Designation Order at para. 7.

possible with SCIS Redaction II, used in the first ONA investigation."[11] The Bureau also required that the nondisclosure agreement "be no more restrictive on intervenors than the agreement governing intervenors' examination of SCIS Redaction II."[12]

As in the original ONA investigation, this investigation has required US West to designate an "independent auditor" to examine the unredacted cost model and allow intervenors to examine a redacted model pursuant to a nondisclosure agreement. US West selected Arthur Andersen & Co. (Andersen) to perform the review of the revised SCM model. US West's Direct Case, together with the redacted report that Andersen produced (Andersen Report) and intervenors' reviews of the redacted SCM, form the basis for this comment cycle.

In seeking to assess whether US West's proposed rates complied with law and Commission policy, MCI tried to verify whether US West's process of determining incremental costs for switching components and features constituted an objective methodology, or one which merely allowed for the manipulation of software model input assumptions that led to US West's "justifying" a predetermined set of rates. Simply put, MCI sought to determine whether US West's rates are "cost-based" and therefore legal.

In seeking answers in this regard, MCI sought a level of

---

[11] <u>Designation Order</u> at paras. 18, 20.

[12] <u>Id</u>. at para. 20.

access to the SCM that would permit MCI to (1) determine whether US West's cost results, calculated through the use of SCM, could be replicated, (2) determine whether certain statements made by US West in its Direct Case could be verified, and (3) conduct a "sensitivity analysis" on the effect of changes in software model inputs on model outputs. These are tasks well within the scope of a minimum level of meaningful intervenor participation in this investigation. Unfortunately, US West made available only a heavily redacted version of the SCM pursuant to an unduly restrictive nondisclosure agreement.

I. CONDITIONS OF THE INVESTIGATION PRECLUDED A DETERMINATION OF WHETHER US WEST RATES ARE REASONABLE AND LAWFUL

A. The US West Redaction Procedures and Nondisclosure Agreement Made it Impossible to Assess Whether the "Real" Model is Able to Develop Cost-Based Rates

In order to determine whether it is possible to develop reasonable rates using the revised SCM and whether a proposed rate is cost-based, the Commission and intervenors must be assured that the cost development process is not based on a subjective selection of input variables and other assumptions. A subjective cost development process can permit a skilled cost analyst to predetermine the outcome of a given cost study, thus allowing US West in this case to cross-subsidize enhanced services with revenues from regulated services, or to discriminate against independent enhanced service providers in favor of its enhanced service operations.

It was therefore essential for MCI to establish the sensitivity of SCM outputs to changes in the inputs controlled by the US West cost analyst. MCI accordingly sought an appropriate level of access to the SCM model. In order to ensure that US West fully understood MCI's request, MCI outlined in detail, in a letter dated March 17, 1995,[13] its need for model information prior to scheduling a time for review of the software and documentation.

Despite this, US West provided a heavily redacted version of the SCM model and subsequently refused to provide the written documentation requested. MCI attempted a review of the redacted model on March 22, 1995. At that time, MCI representatives attempted to conduct the first step of a sensitivity analysis and to create a baseline set of model outputs. In order to create such a baseline, MCI left all model inputs unchanged at the values held out by US West as having provided cost support for its proposed rates. When MCI attempted to then "run" the model, a "fatal error" indication was received and the model automatically stopped.[14]

MCI's analysis was halted on two occasions by the generation of "fatal" system errors in the model. Put simply, twice, a "fatal" computer software processing error caused the model to

---

[13] Attached as Exhibit A.

[14] The computer produced the statement on the screen "FATAL ERROR."

stop "running" and the computer's display produced an error message. On both occasions, MCI representatives were strictly adhering to operating instructions provided by US West when the "fatal" error occurred. On both occasions, the US West representative present was unable to correct the problem so that MCI could continue its attempted analysis. Each time, the US West representative stated that the problem was not inherent in the SCM <u>but had been created in the redaction process</u>. Subsequent attempts by MCI representatives and the US West representative yielded the same result, and US West was unable to correct the problem at that time.

Five days later, on March 27, 1995, US West informed MCI that the problem had been caused by the redaction of the model. MCI then attempted once again to perform a substantive review of the SCM redacted model. MCI was able to "run" a baseline study using US West's inputs, but received anomalous results. MCI then proceeded to the next step of its sensitivity analysis by attempting to change the value of a single variable in order to determine the effect of the change on model outputs and, therefore, the model's sensitivity to changes in that input. When MCI attempted to process this change, another "fatal error" message was received from the computer system and processing again stopped. Subsequent attempts by MCI representatives and the US West representative led to the same outcome. Approximately three hours after the redacted model review session had begun, MCI relinquished the redacted model so that the US

West representative could discuss the error with programmers and make any necessary changes. By the end of the working day, the error had not been successfully corrected.

On March 28, 1995, MCI again attempted to conduct a meaningful sensitivity analysis. At that time, the US West representative informed MCI that the March 27 "fatal error," like the March 22 error, had been caused by the redaction process. MCI then attempted to conduct a sensitivity analysis by changing the value of a given variable in each switching location. This process immediately proved to be unworkable.

On May 3, 1995, MCI made an additional attempt to conduct a sensitivity analysis using the redacted SCM. MCI's analyst chose a variable over which US West's cost analysts have control, Originating and Terminating Calls per Working Line, (O&T Calls)[15] and attempted to determine the effects on the model results created by changes to the value of this input variable.[16] MCI's analyst began by creating a new study within

---

[15] This variable was chosen, in part, because it had been the qualitative perception of MCI's analyst that the time required to "run" the model was less for this variable than for others. Throughout this process, MCI took all steps possible (within the scope of its analyst's knowledge) to minimize the time required to "run" the SCM.

[16] For this necessarily limited review, MCI attempted a sensitivity analysis of a single variable and six iterations (i.e. three increases and three decreases to the baseline value of the variable used by US West). Six iterations is generally considered the absolute minimum to be studied if a sensitivity analysis is to yield relationships between input and output variables that can be relied upon as meaningful.

the restriction parameters established by US West[17] and began the process of changing the assumed values for this variable in each office.[18] Because of the removal of operating features, it was necessary for MCI's analyst to manually retrieve the data for a given office, tab down and change the value for the variable being examined, and then "process and save" this change.[19] This process must be repeated for each office data file. As the attached timeline indicates, MCI's analyst was able to repeat this process approximately seventy times on May 3, 1995.[20] This effort resulted in changes to the value of the selected variable in about twenty percent of the office locations in US West's data file. In order to complete the sensitivity analysis for this single variable,[21] the MCI analyst would have needed several weeks. In order to conduct this minimum level of analysis for twenty variables, MCI would need access to the redacted model

---

[17] As previously described, the redacted version of SCM did not permit MCI to create a new master file, so all studies were created within US West's established master file. To be clear, only the core component of the redacted SCM was used during MCI's attempted analysis, because completion of the processing of office characteristics is necessary before the Features component of SCM can be used.

[18] For MCI's first attempted iteration, O & T Calls increased by 50%.

[19] As the US West representative stated and MCI later verified, if the data for each office is not "processed and saved" on an office-by-office basis, the change made to the data is lost.

[20] See Attachment B.

[21] A complete sensitivity analysis is the processing of the changed data for each office for the minimum number of iterations (six, three increases and three decreases).

each business day for several months. The existing level of redaction in the SCM rendered any further attempt by MCI to conduct meaningful sensitivity analyses a fruitless exercise.

In order to understand why the redacted SCM was unworkable, and the predicament this created for MCI, it is first necessary to describe in more detail the problems created by US West's crippling redaction of the SCM.

1. Redaction Problems:

Under the conditions in which US West made information available to MCI, serious methodological problems arose during sessions in which MCI attempted to perform meaningful analysis on the redacted SCM. MCI was able to substantiate several reasons why it was unable to perform meaningful analysis. The process undertaken by US West to redact the SCM model:

(1) Created operating errors in the model that both reduced the usefulness of the model and cast serious doubt on the reliability of outputs obtained;

(2) Resulted in the removal of key operating features of the model designed to permit both efficient and effective use of the model by the cost analyst;

(3) Resulted in the removal of key output reports necessary for an understanding of the functioning of the model and a complete evaluation of the results;

(4) Placed unnecessary and unreasonable limitations on the ability of intervenors to use the model to conduct meaningful analysis; and

(5) Unreasonably restricted intervenor access to written documentation regarding the use, features, and operation of the model.

These problems were created by a degree of redaction, so substantial that one can only surmise that it was a result of an intentional effort to prevent meaningful intervenor participation. Each problem is described in detail below.

Discovery of Errors Created by the Redaction Process. As US West admitted in correspondence to the Commission, its redacted model contained a number of errors.[22] During the course of its review of the redacted model, MCI encountered a series of processing errors when attempting its analysis. As noted earlier, in MCI's view, the existence of these "fatal" system errors is problematic for two reasons. First, MCI's attempts to review the model were brought to an abrupt end on two occasions. Second, and more importantly, these fatal errors are indicative of a highly (and excessively) complex redaction process. The existence of fatal errors suggests the existence of potentially more numerous "non-fatal" errors. MCI only became aware of the "fatal" errors, because the system ceased to operate. Conversely, "non-fatal" errors, which significantly affect the model results, but which do not cause the model to cease to operate, would be undetectable by intervenors running the redacted model. MCI's experience with "fatal" errors in the redaction process on consecutive days of its review calls into question the accuracy and reliability of the model outputs obtained when these "fatal" errors did not take place, but when numerous undetectable "non-fatal" errors may have occurred.

---

[22] See Attachment C.

Anomalous results obtained by MCI when making its limited "runs" of the model further suggest the existence of these "non-fatal" but invalidating errors.

Removal of Key Operating Features. Unfortunately, a number of features designed to assist an analyst in operating the SCM efficiently (i.e., allowing him or her to obtain accurate results in a reasonable period of time) were removed from the redacted model. The removal of these features serve no conceivable legitimate interest.

For example, a feature that creates the ability to select switching locations based on common characteristics -- the existence of which in the unredacted model was confirmed by the US West representative -- was removed. As a direct result, MCI's representatives were compelled to select these characteristics using a much more time consuming "line-by-line" selection process. When attempting to conduct a sensitivity analysis consisting of multiple iterations, such a time-saving feature becomes essential. Unfortunately, with less than one week of total session time in which to examine the redacted model, MCI was able to do no more than a superficial and extremely limited assessment of the accuracy of the redacted model. The purpose of this deliberate "slow-rolling" SCM operation was not explained.

Removal of Key Output Reports. MCI's limited ability to operate the model indicated that a substantial amount of model output information had been "masked" and thus removed. This suspicion was confirmed by the US West representative. The

"Features" component[23] of the model normally offers the option of a detailed output report (denominated the "investment analysis") and a much more limited "cost study" output report. The "investment analysis report" had been redacted from the model, and MCI's analysis was subsequently restricted to the information contained in the limited "cost study" output report. Within this limited report, MCI determined that, for each BSE, six of the seven pages of output present in the unredacted model had been removed. It is beyond comprehension how access to the complete output reports could have had any conceivable relationship to a legitimate US West interest.

Restrictions and Limitations Placed on Intervenor's Use of the Model. The redacted form of the SCM made available to MCI contained technical restrictions that effectively prevented a meaningful review of the model's operation. The core component of the model, which develops investments based on office characteristics, is based on the creation of "master files." A master file created by the analyst contains one or more specific studies. For example, a study may be limited to Integrated Services Digital Network (ISDN) or "non-ISDN" offices, "hosts" or "remotes." A given master file may contain multiple studies (the master file provided by US West contained four studies).

Intervenors were not able to construct their own master

[23] A Feature is that component of the SCM model that uses the switching investment files created in the core component of the model to develop BSE-specific investments (from which BSE costs are directly developed).

files when attempting to review the redacted form of SCM. The practical effect of this restriction was to greatly expand the time required to "run" the model (and therefore the time required to run each iteration of a sensitivity analysis).

The processing of the core component of the model is by far the most time consuming step when "running" the model. The processing time required is a direct function of the number of studies and the number of switching locations included in each study. Removal of a study, or an attempt to limit the number of offices included within each study, requires that the model be "re-run," and requires the same extended processing time. As a result, US West's initial master file composition, the limitations imposed on an intervenor's ability to make changes to this master file, and the prohibition regarding the creation of more limited master files by intervenors, created an environment in which each of MCI's "runs" of the model (and each iteration of its attempted sensitivity analysis) required significantly more time than necessary.

In sum, the redaction of SCM model by US West is highly complex and has led to both observable and hidden processing errors. The removal of key operating features, the removal and "masking" of output reports, and other limitations placed on MCI's ability to run the model, prevented a meaningful review of the model and its sensitivity to subjective assumptions made by US West. None of these excessive steps in redaction bears any reasonable relationship to a legitimate protected interest. The data that US West considers proprietary are merely an input into the model that does not affect its operation.

2. Problems with Nondisclosure Agreement

Besides a heavily redacted SCM model, an unduly restrictive nondisclosure agreement also foreclosed MCI's ability to evaluate the SCM model. To expedite access to pertinent SCM documents, on March 8, 1995, MCI delivered to US West an MCI-executed nondisclosure and protective agreement with the request that US West also execute it. The form of the agreement was a fair one, with language virtually identical in all material respects to the one contained in the Section 1.731 of the Commission's Rules.[24] This proposal was rejected by US West when it insisted on using its own nondisclosure agreement, which was presented to MCI at the start of the first SCM review session. Recognizing the excessively restrictive nature of the agreement but desiring to learn more about US West's costing model, MCI executed the document under protest. In view of the time constraints imposed by the Commission and since the Designation Order appeared to allow use of US West's nondisclosure agreement, MCI had little choice under the circumstances.

This "agreement" was inadequate in the treatment of some issues and unduly restrictive in other respects. Among these problems, it did not adequately address the circumstances under

---

[24] 47 C.F.R. Sec. 1.731.

which material might qualify as confidential information; it did not provide for electronic print capability at the review site; intervenors were not permitted to remove any material from the US West premises; MCI could not have access to all switch types within the SCM; only one attorney and two experts would be permitted at a SCM review session; and information could not be shared with other intervenors who had executed the same "agreement" with US West.

Initially, US West provided for only one three-hour SCM review session. It subsequently expanded the duration of time after the Commission found this to be inadequate, particularly in light of the involvement of only three intervenors in the investigation.

Despite previous assurances that US West would allow an attorney present during the SCM review sessions, throughout the SCM review sessions, and over MCI's objections, US West insisted that a US West representative be present in visual sight (in the same room) at all times. Virtually all the time in which MCI was in these sessions, a US West representative maintained a distance of approximately five feet from MCI representatives, making it virtually impossible for the MCI attorney to communicate on a confidential basis with his clients.

None of these restrictions have a rational basis. Collectively, they reveal a concerted effort to limit intervenor participation to the maximum extent possible.

3. Inability to Verify Reasonableness of Rates

Collectively, redaction and nondisclosure procedures made it impossible for MCI to verify the reasonableness and lawfulness of US West's proposed rates. When MCI tried to "run" the SCM on March 28, after having already experienced multiple fatal errors or software "crashes," the full import of all of the redaction problems became clear to MCI.

As noted earlier, MCI tried to conduct a sensitivity analysis by changing values of given variables in each switch location. Specifically, MCI's changes were limited to those made on a "line-by-line" basis, expanding the "set up" time for each "run" to approximately 15 minutes. Because only US West's master file, including a number of extra studies, could be used, the processing of the change in the variable required a 12 to 15 minute "re-run" of the model for each switching location. Given these limitations, the time required for MCI to conduct a sensitivity analysis of the 25-30 variables for each location (assuming six variations from the US West baseline assumption -- three increases and three decreases from this assumption) would be from 1114 hours (139 days, or 27.8 weeks) to 1485 hours (185 days, or 37.1 weeks).

This realization put MCI in the untenable position of choosing between conducting a severely limited analysis based on a single switching location or devoting an analyst to the problem on a full time basis for over six months (assuming an investigation of that duration were permitted). Despite its attempts, it was impossible for MCI to conduct a meaningful review of the SCM under these conditions. This conclusion was based on the following primary factors: First, because office characteristics may have a significant effect on the output, a sensitivity analysis based on a single office location may not be representative of all US West switching locations; therefore, any conclusions based on such an analysis would be subject to question. Second, the complexity of the redaction process had caused at least two, and probably many more, processing errors within the model. The existence of the two documented errors creates substantial doubt about the accuracy and reliability of even these limited results obtained from the model. Given the conditions of the redaction, it was impossible to meaningfully address the cost-basis, reasonableness and lawfulness of US West's rates and thus whether US West had complied with the Designation Order.[25]

In the Designation Order, the Commission observed that a purpose of implementing ONA "was to prevent the BOCs from cross-subsidizing enhanced services with revenues from regulated services or discriminating against independent enhanced service providers in favor of their enhanced service operations."[26] The Commission concluded that, for this objective to be met, the

---

[25] If MCI could "double-check" each of its results on a real-time basis, MCI would know if the model was adequate.

[26] Id. at para. 1.

implementation of ONA "requires the development of reasonable basic service element rates which, in turn, requires some rational means for apportioning joint and common switch investment among basic service elements."[27]

In the ONA context, the Common Carrier Bureau concluded that any reasonable method of apportioning switching costs would require the development of an investment cost allocation model.[28] Given the anomalous results MCI obtained with limited access, MCI agrees with the Commission's tentative conclusion that "it is not clear that SCM, as revised, can be made to produce reasonable unit investment data on which reasonable ONA rates can be based."[29] This is due in part to the fact, as the Commission correctly pointed out, "equations within the SCM model include variables that enable US West to adjust the model to fit assumptions it makes concerning its network."[30] At a minimum, the subjectivity of the cost development process, and therefore the inherent ability for manipulation, is apparent.

---

[27] Id. at para. 3.

[28] Id. at para. 3.

[29] Id. at para. 11.

[30] Id. at para. 12.

B. General Conclusion from Methodology: the SCM Does Not Prohibit Subjectivity; Conditions Make it Impossible to Assess the Reasonableness of US West Rates

Unfortunately, US West's redaction process has denied MCI the ability to independently verify the objectivity or subjectivity of the cost development process for BSEs utilizing the SCM. Operating within the conditions imposed on it, MCI made a good faith effort to use the redacted model, as presented, to conduct an analysis of the model's sensitivity to changes in the values of input variables or other assumptions, each of which are under the control of US West and its cost analysts. Substantial redaction of the model has introduced documented processing errors.[31] Limitations imposed on intervenors' use of the model has created an environment within which, even if processing errors did not occur, a sensitivity analysis in its most basic form would require months to address.

While MCI has been unable to quantify the sensitivity of the model to changes in inputs, it appears that some sensitivity to input variations does exist, and that these inputs are controlled by the US West cost analyst. However, without access to a version of the model that faithfully recreates the results obtained by using the original, MCI cannot document this sensitivity and the resulting subjectivity of any cost development process that utilizes the SCM. Consequently, MCI is

[31] The US West representative present at the SCM review session attributes this to the redaction process.